



Vote-Approved Funding Options for the Department of Parks and Recreation

October 3, 2013

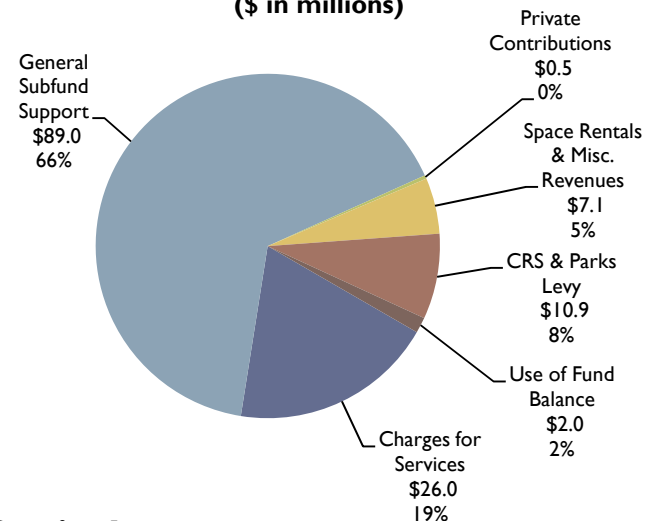
Budget Basics – The General Fund, REET and DPR



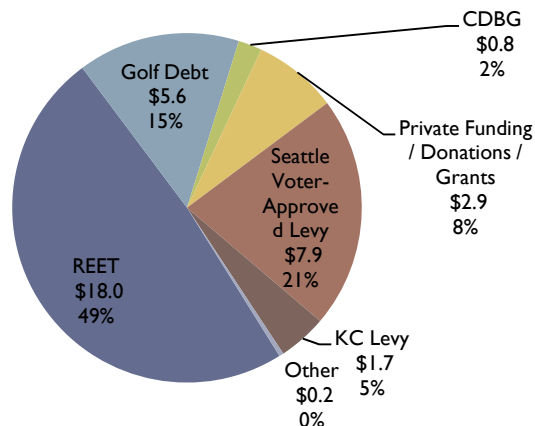
Funding for Operations

- ▶ City's General Fund is roughly \$1.0 Billion.
- ▶ DPR's operating budget for 2014 is \$135 million, of which roughly \$89 million is GF.
- ▶ Many DPR revenues do not grow significantly over time and may struggle to keep up with cost of service.

2014 Parks Operating Resources - \$135 million (\$ in millions)



2014 Parks CIP Resources - \$37 million (\$ in millions)



Funding for Capital

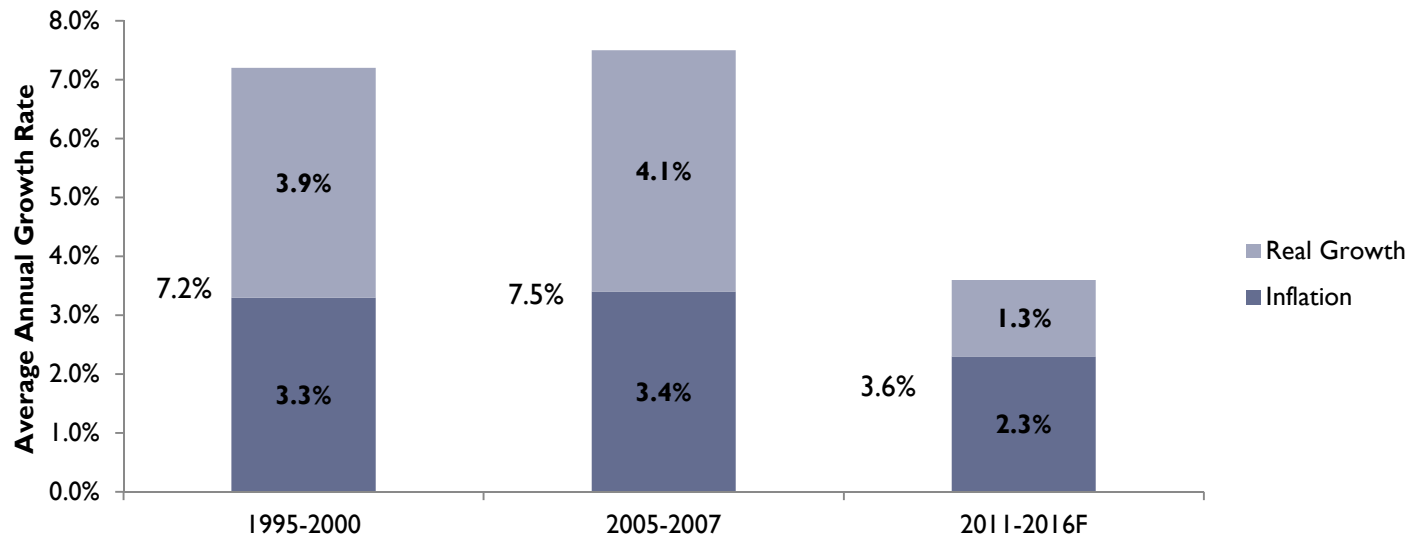
- ▶ DPR's capital budget for 2014 is \$37 million
- ▶ Major maintenance funding is primarily provided from Real Estate Excise Tax (REET) revenues.
- ▶ DPR competes with other Departments for that funding. DPR estimated backlog of capital projects is \$270M over the next 6 years.

General Fund Tax Revenue Growth Remains Subdued



- ▶ General Fund tax growth is much lower than previous post-recession periods.
- ▶ Limits City's ability to expand General Fund-backed budgets.
- ▶ Forecasts through the next biennium indicate the General Fund is about in balance, with no additional resources available.

Average Annual Post-Recession General Fund Tax Revenue Growth Rate



Options for Additional Property Tax Funding



City Levy Lid Lift

- Voter-approved (50%) increase in City-administered property taxes.
- Can be used for operating and/or capital.
- Can be a temporary or permanent tax increase.
- Examples = Parks Levy, Housing Levy, Families and Education Levy, BTG Levy, & Library Levy
(Note that all are temporary)

Bond

- Voter-approved (60%) increase in City-administered property taxes.
- Can only be used for capital projects.
- Taxes collected for term of bonds that are issued.
- Examples = Seawall and Library Bonds

(continued on next slide)

Options for Additional Property Tax Funding



Metropolitan Parks District (MPD)

- Per RCW 35.61.010, voter-approved (50%) taxing authority that is independent from City.
- Can raise funds from a property tax that is administered specifically for the MPD.
- Funding can only be used for parks and recreation purposes – both operating and capital.

► Examples:

- ☐ Normandy Park MPD (*city council serves as governing body*)
- ☐ Metro Parks Tacoma (*separately elected board*)
- ☐ William Shore Memorial Pool Park District (*city & county council members plus one board-elected member*)

► Brief History:

- ☐ The first Metropolitan Parks district was formed in Tacoma in 1907.
- ☐ 2002 Significant Legislative Changes:
 - ☐ Allow combinations of cities, counties
 - ☐ More flexibility re MPD governing structure
- ☐ 15 new districts have formed since 2002
- ☐ <http://www.mrsc.org/subjects/parks/spd-mpdlist.aspx>

Lid Lift – Options for term and structure



Levy lid lifts are subject to different constraints depending on length of term:

- ▶ Short-term – 6 years or less
 - No limitations on annual growth rate.
 - Can bond (borrow) against revenues but only for term of levy.

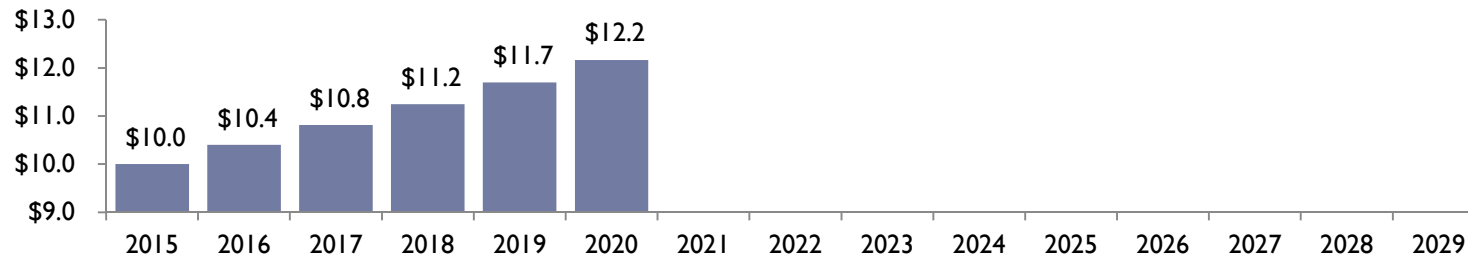
- ▶ Medium-term – 9 years or less
 - Can only grow at 1% per year.
 - Can bond (borrow) against revenues but only for term of levy.

- ▶ Permanent (10 years or more)
 - Can only grow at 1% per year.
 - Cannot bond (borrow) against revenues.

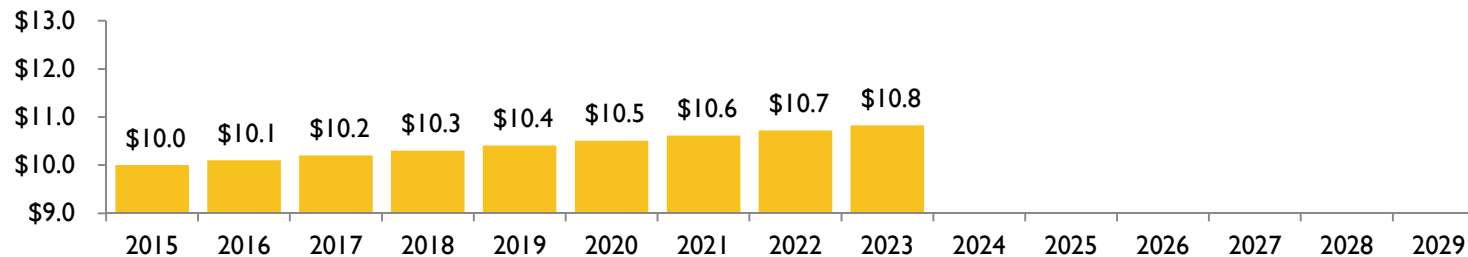
Levy – Options for term and Structure



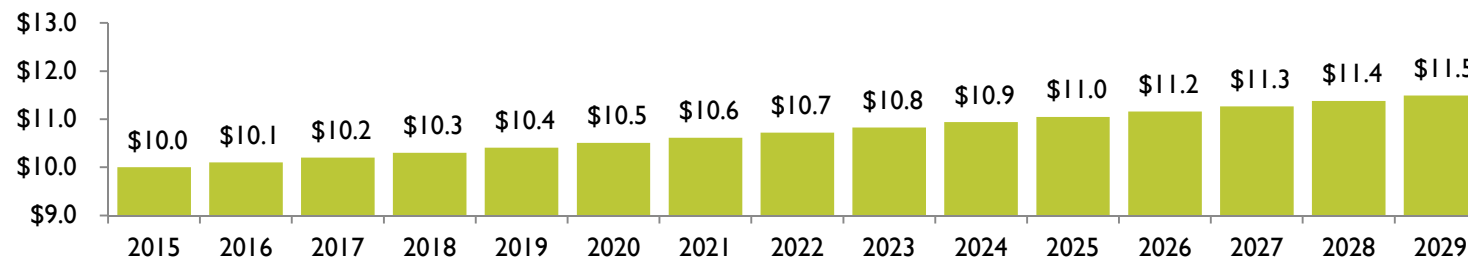
6 Year Levy - 4% growth



9 Year Levy - 1% growth



15 Year Levy - 1% growth



MPD – Options for term and Structure



Voters create an MPD through a ballot measure.

The District then sets its funding structure.

- ▶ MPD general levy

- ▶ Revenue source is a property
- ▶ Authorized at 75 cents per \$1,000 AV (about \$96 million in 2014)
- ▶ Subsequent year caps grow at 1% from the 75 cent level

- ▶ Flexibility

- ▶ District has significant flexibility within that statutory cap
- ▶ For transparency, authorizing ordinance would likely need to indicate planned levy amounts. Advisory votes on future significant changes might be desirable.
- ▶ Eventually, the 1% growth limitation will likely come into play, but could be 30+ years out.

- ▶ Considerations

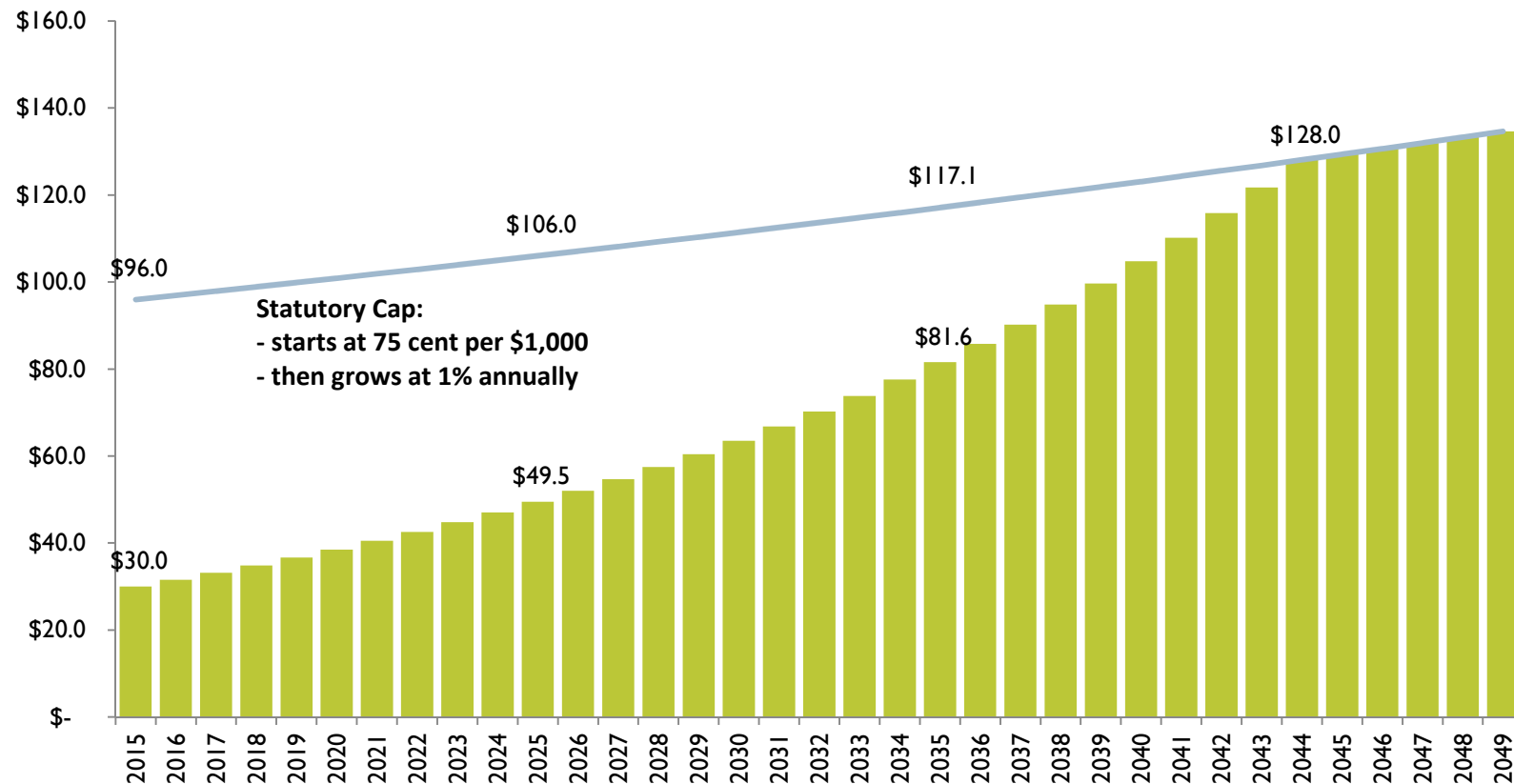
- ▶ Ballot measure before voters to create an MPD provides the full 75 cent levy capacity
 - Levy amount cannot be legally limited at that time
 - No duration limitations
- ▶ Creates accountability issues relative to the temporary structure of current levies that require regular re-authorization.

MPD General Levy



MPD

Example: 5% growth over 30 years, then 1% growth
(in \$ million)





Potential Advantages of an MPD

Levy Capacity

- ▶ Under current state law, the City has roughly \$55 million per year in available capacity. This grows as total Assessed Value increases.
- ▶ Levy capacity could become a limitation if existing levies increase upon renewal and/or the City successfully seeks approval for new levies.
- ▶ Note that voters willingness to pay is perhaps the real constraint on levy capacity. An MPD would be collected from same property owners as those subject to City levies.

Debt Capacity

- ▶ MPD would have its own independent debt capacity limits.
- ▶ However, City's real constraint is not legal debt capacity but rather revenue available to repay debt.

Initial Flexibility

- ▶ Assuming an initial levy amount less than the full 75 cents, MPD has flexibility in early years to grow with costs of service.

Potential Disadvantages of an MPD



Flexibility and Capacity vs. Willingness to Pay

- ▶ An MPD provides additional levy capacity and flexibility in early years to grow the levy with cost of service, but...
- ▶ How large of a levy will voters authorize? MPD tax base is same as those subject to City levies.
- ▶ Will voters be willing to accept higher rates of planned levy growth?
- ▶ Could the MPD “crowd out” future renewals of other City levies?

Accountability

- ▶ MPD is permanent, so how will voters trust that tax revenues will be well spent?
- ▶ What mechanism will provide voters a chance to feel there is sufficient oversight and accountability?
 - ▶ Advisory votes in the future? Oversight boards?

MPD – Governance and Operations



If an MPD is pursued, how would the following questions be addressed?

- ▶ Would that MPD would be proposed with the same boundaries as the City?
- ▶ Would the City Council be proposed to serve as the MPD's governing Board?
- ▶ Would the MPD be restricted to provide funding to DPR?

If yes to all, the MPD could be integrated into current City funding and management structures.

First Question for Committee = Fixed-term or Permanent?



Levy lid lift and MPD options are funding mechanisms. The more appropriate mechanism will become more evident once these questions are answered:

What are DPR's funding needs?

(Operating? Capital? On-going? One-time?)

Temporary vs. permanent?

(Either can be permanent)

If permanent, how best can accountability be achieved?